

## MARKET RATE HOUSING AFFORDABILITY IN KING COUNTY

While our region has benefited from the recent economic boom, our prosperity has also resulted in a severe housing affordability problem for both first time homebuyers and low income renters. Homeowners are seeing the value of their homes increase, but first-time home buyers, even those who are earning 100 - 120% of the median income of the county, will have difficulty finding a home they can afford.

The rental market continues to provide enough affordable housing for moderate income households. Yet at least 8% of all King County households cannot afford the market-rate rental housing that is available. This means that these households are forced to await space in a subsidized housing project, or to pay an unaffordably large percentage of their earnings on rent, leaving little for other essential needs.

### About this document

This is a snapshot of who can afford market-rate housing - both rental and ownership - in King County. The supply-side picture includes market-rate rental units with tenant-based subsidies, but it does not include non-market subsidized housing. This summary is organized into three sections:

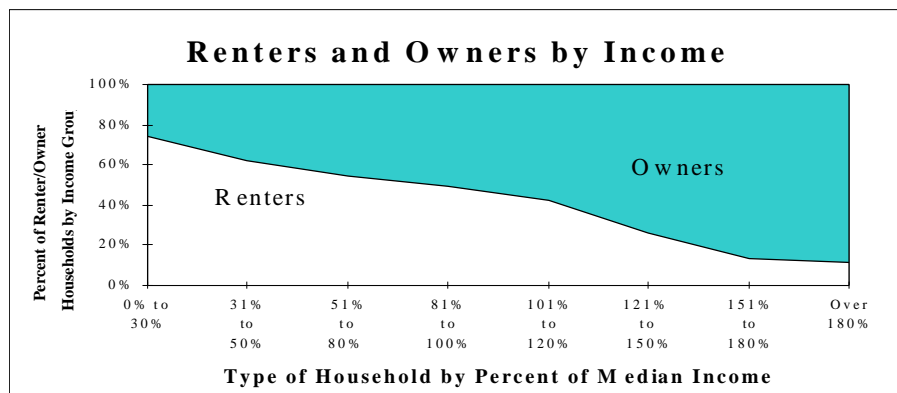
- Rental Market
- Home Ownership Market
- Rental and Ownership Markets by County Sub-Regions

On page two there is a chart of the median incomes for one- and four-person households. Information about the data used is described in the end notes and the appendix.

### Affordability of Rental Units

#### *Profile of Rental Market*

- ◆ In 1998, approximately 274,500 households in King County (40% of all households) depend on rental housing.



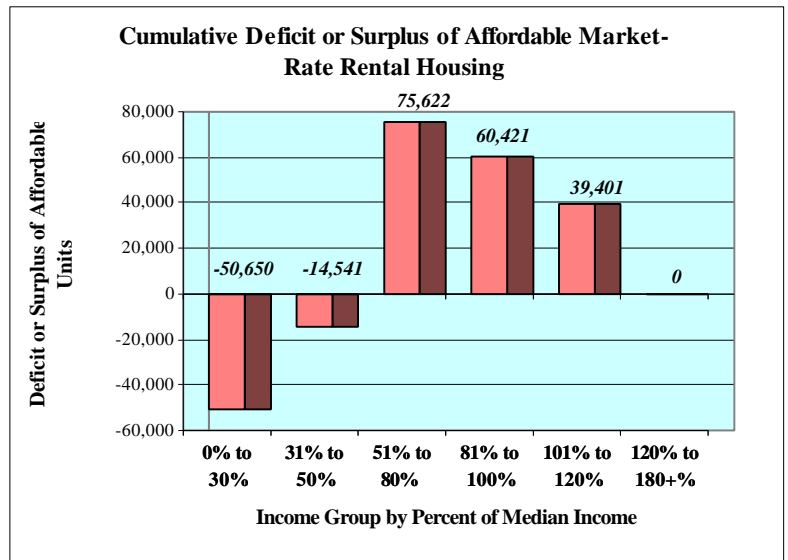
- ◆ Most multi-family rental units are affordable to those households that have 80% or more of median income. A sufficient number of units are affordable to those in the 50 - 80% range.

- ◆ Half of renter households earn less than 70% of the median income for their household size. (under \$28,900 - \$41,300).<sup>1</sup>
- ◆ Median rent for all multi-family units is \$669, requiring an income of at least \$26,800 (affordable to a family of 3 at 50% of median income).<sup>2</sup>

#### *Rental Affordability Issues*

- ◆ About one-third of renter households earn less than 50% of median income (\$20,700 to \$29,500). For this group there is a significant lack of affordable housing. **Without the current level of subsidized housing, the need for affordable units would exceed the supply by 65,000 units or nearly a quarter of all rental households.**

1998 H.U.D. Income Levels by Household Size (Rounded to nearest \$100)		
Percent of Median Adjusted by HH Size	1 person HH	4 person HH
30 % of Median	\$ 12,400	\$17,700
50% of Median	\$ 20,700	\$29,500
70% of Median	\$ 28,900	\$41,300
80% of Median	\$ 33,000	\$47,200
100% of Median	\$ 41,300	\$59,000
120% of Median	\$ 49,560	\$70,800



*This chart shows that the market is not meeting the housing need for low income renters. When subsidized housing is included, the deficit is reduced to about 26,000 households.*

- ◆ The less money a household earns, the worse the housing affordability problem becomes. **For the 51,000 households who earn less than 30% of median income (\$15,950 for a family of three), there are virtually no market-rate rental units**

<sup>1</sup> For this study, median income refers to income levels established by H.U.D. for 1998. These levels vary by household size, so that the median for single-person households is \$17,700 and for a household of 4 it is \$59,000. For this reason, the dollar amount of each income level is given as a range with the bottom number referring to a one person household, and the top number referring to a four person household.

<sup>2</sup> Dupre + Scott Apartment Advisors, Inc. *King County Housing Affordability*. September, 1998. The Dupre + Scott *Apartment Vacancy Bulletin* for April 1998 gives the following average rents in King County as of March 1998: \$709 for all units, \$535 for a studio, \$627 for a 1 BR, \$697 for a 2 BR, 1 Bath, \$943 for a 3 BR/ 2 Bath.

**available.** A household supported by a full-time worker earning \$7 or \$8 per hour would be in this group.

- ◆ Only about 400 units are affordable to households in this income group. Roughly half of these households are currently living in assisted housing projects. **This leaves at least 26,000 households who will necessarily be housed in higher cost units than they can afford.** An additional 5,000 individuals in the County are homeless.
- ◆ Compounding the problem, these low income renters must compete with each other and with higher income renters for the limited number of available low-cost units. As a result, H.U.D. found that as many as 41% of all King County were not able to find rental units that were affordable within their income range.

#### *Single Family Rentals*

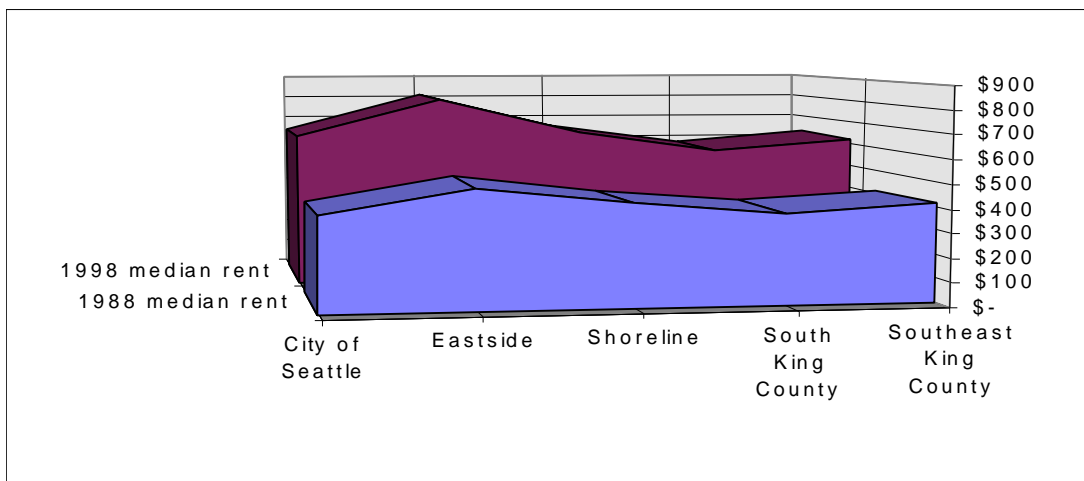
- ◆ **Only 3.5% of single-family rental units (rental houses) are affordable to those with incomes below 50% of the median (\$20,700 - \$29,500).**
- ◆ The median rent for a single family house is \$1,125. A household would need to earn at least \$45,000 to afford this rent. 45% of all single family rentals cost between \$900 and \$1300 to rent.

#### *Related Issues*

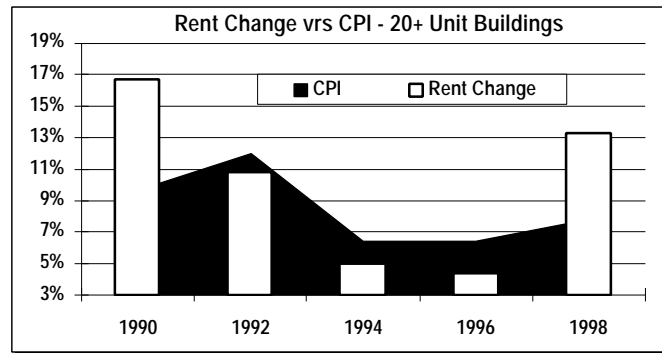
- ◆ Some of these King County households eventually choose to move to lower cost housing in neighboring counties, incurring the cost, time, and increased congestion of a long commute.
- ◆ Due to lack of affordable housing some households may be forced to share housing in order to save housing costs, when they would prefer not to share.

#### *Affordability Trends*

- ◆ Median rents, based on a large sample of 20+ unit buildings, have risen from \$420 in 1988 to \$674 in 1998. However, the percentage of rental units affordable to King County renters has declined only slightly. In 1988 40% of units were affordable to low income renters, while today 37% of units are affordable to that income group.

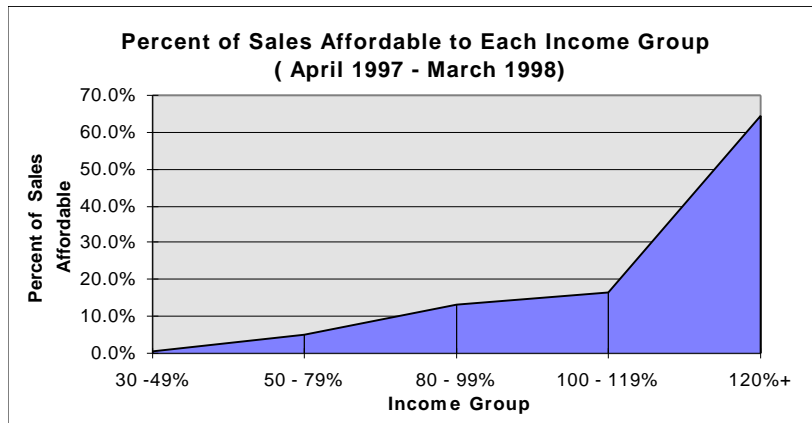


- ◆ More than half of apartments built during 1996 and 1997 are affordable to those households earning 50 - 79% of median income (\$20,700 - \$41,300).
- ◆ Less than 1% of these new apartments are affordable to those earning 50% of median income (\$20,700 - \$29,500) or below, although this group represents over one-third of all King County renters.
- ◆ Vacancy rates have been at historic lows over the last year. Although they are edging up as new units become available, the rate is still below the average for the past decade. Low vacancy rates mean a high level of competition among renters for the available and affordable units, and a more rapid rise in rents.
- ◆ Rents rose at a rate lower than the Consumer Price Index (CPI) from 1992 to 1996. However, from 1996 - 1998, they have risen 13%, considerably over the two year CPI increase of about 9.5%.



## Home Ownership Affordability

- ◆ As the chart below depicts, 65% of the housing sold is priced for those with an income equal to or greater than 120% of the median (120% of median = \$49,600 - \$70,800).
- ◆ The universe of home-owners, and even more of home-buyers, consists mostly of households with incomes above the median income for the County. (See graph on page one.)



- ◆ Nearly 20% of all King County home sales were for homes priced at \$300,000 and above. Median home price is \$195,000, affordable to a household earning about \$66,000 per year (just over 120% of median income for a household of three).

#### *Ownership Affordability Issues*

- ◆ **As the chart above shows, home ownership is not an option for most individuals with incomes under 100% of the median, unless they have already owned a home for quite a few years.**
- ◆ Only 5.5% of single-family home sales are affordable to those with incomes below 80% of the median, and only 19% are affordable to those with incomes below 100% of the median (100% of median = \$41,300 to \$59,000)

#### *Condo Market*

- ◆ Construction and conversion of condominiums has increased in the last few years, and condo sales represented 20% of all housing sales in the past year. The average sale price was \$125,000, making them more affordable than single family homes by about 35%.
- ◆ About 40% of condominium sales are affordable to those with moderate incomes (80% of median or about \$33,000 - \$47,200). Total condo sales were 5,562 in the past year, with 2225 of those units affordable to those in the 50 - 80% group.
- ◆ However, only 580 condominium units (10.5% of the total) would be affordable to those with incomes below 50% of median income, and virtually none to those below 30% of median. Because of condominium fees, condos may slightly less affordable than a comparably-priced house.

#### *Low-income home owners*

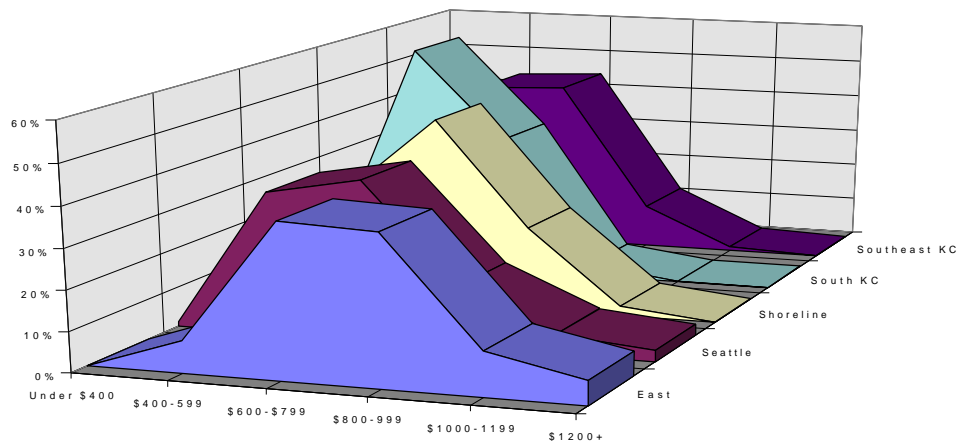
- ◆ **18,000 households in the 0 - 30% income range own a home, and another 26,000 households in the 30 - 50% range are home-owners. 60% of these homeowners are elderly households,** most of whom have been homeowners for some time. Since many of them will have considerable equity in their home, their housing costs are not high. However, taxes, insurance, and home repair costs may be an issue for these low-income home-owners.

## **The Affordability Picture in King County's Sub-Regions**

#### *The Sub-Region Rental Market*

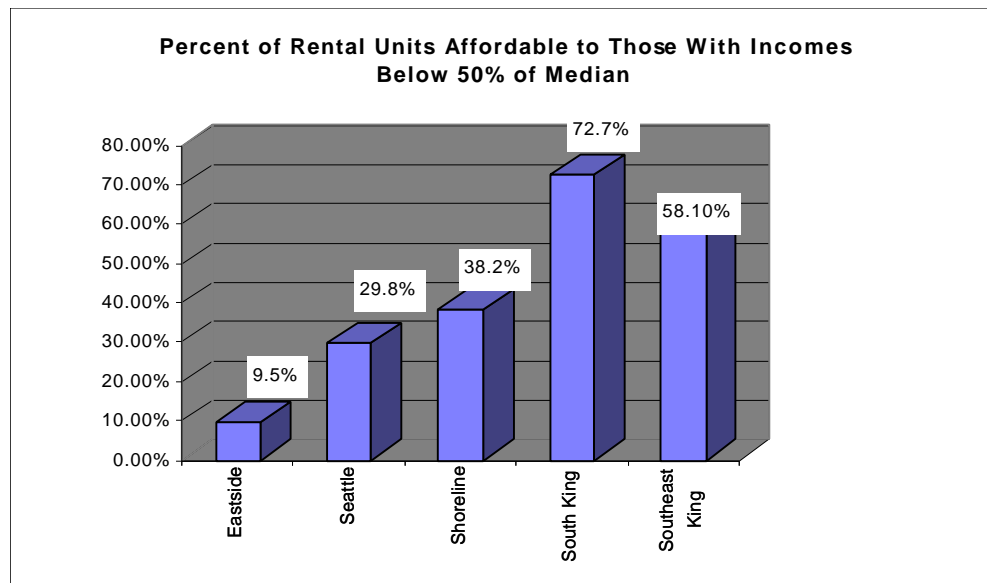
- ◆ Most of the affordable housing is located in the southern part of the county: the Duwamish area of Seattle, Southeast Seattle, and South/Southeast King County. In these areas, at least 70% of the multi-family rentals are affordable to the two income groups which earn less than 50% of median.

### The Sub-Region Rental Market



Percent of Units in Each Rental Range

- ◆ As the graph below shows, less than 10% of the rental stock in the Eastside, and less than 30% in Seattle neighborhoods, are affordable to those in the two lowest income groups. The Eastside's median monthly rent is \$810 while the median rent in South King County is \$566: a difference of \$244 per month or almost \$3,000 per year.



### Single Family Rentals in the Regions

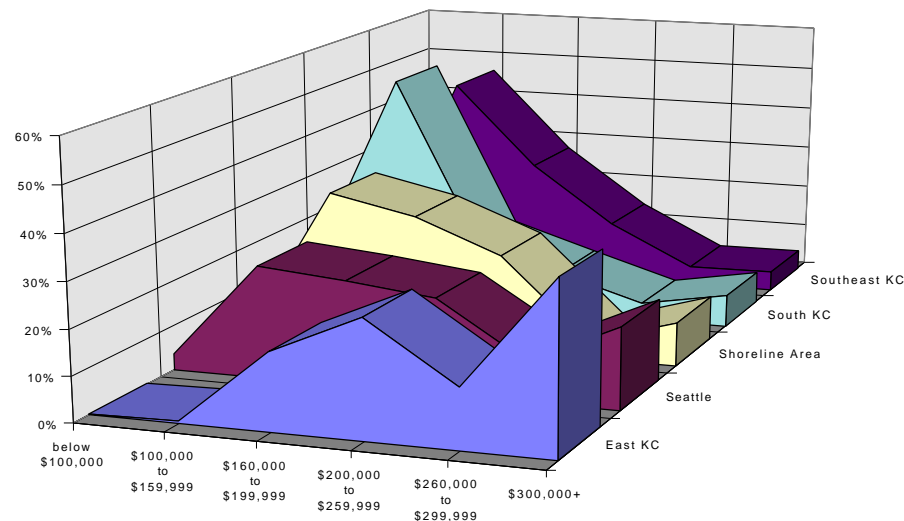
- ◆ As is the case with multi-family units, the most affordable **single family rental homes** are located in South Seattle or South King County.
- ◆ Nearly 60% of single family rental homes in Southeast King County and Seattle rent for \$1,100 or less, compared to only 24% on the Eastside.

- ◆ The median rental rate on the Eastside is \$1295. A household needs an income of \$51,800 to afford this rent. Seattle rental homes average \$995. Smaller house size and older building age contribute to this lower average in Seattle.

#### *Home Ownership Affordability by Sub-Region*

- ◆ As with the rental market, the more affordable home ownership opportunities are in South King County and Southeast King County, with median prices of \$136,950 and just under \$160,000 respectively. A home at \$160,000 would be affordable to a household earning \$47,200.

#### **Home Sales Prices by Sub-Region**



#### **Percent of Homes Sales in Each Price Range**

- ◆ East King County's median sales price, \$263,100, is almost double South King County's median sales price of \$136,950. Only 9% of Eastside homes are affordable to those earning 120% of the median income or below.
- ◆ In Seattle 34% of the houses are affordable to those earning 100 - 120% of median income (\$41,000 - \$71,000), but only 6% are affordable to those earning less than 80% of median income (\$33,000 - \$51,000)

### **What are We Doing About It?**

#### **1998 Executive Affordable Housing Initiatives**

- ◆ **Affordable Housing on Surplus Properties.** On properties that are surplus to its needs, King county's first priority is to develop affordable housing. **In 1998, 396 units of housing are in process of development or proposal review on King County surplus property.** These properties range from urban infill sites to large undeveloped tracts of land both in unincorporated King County and in other King County jurisdictions. These 396 units include rental opportunities for seniors and families who earn 30 to 50% of median income and ownership housing reserved for households earning between 50 to 120% of median income.

- ◆ **Credit Enhancement Program:** Implementation of the Credit Enhancement Program has assisted the King County Housing Authority in the purchase and renovation of **326 apartment units** in the core of SeaTac's downtown. This program assists both for-profit and non-profit developers by achieving lower interest construction loans, thus making construction of more affordable units possible. The Credit Enhancement program is particularly designed to benefit renters with incomes under 60% of the median.
- ◆ **Open Door Loan Program:** King County, with the Washington State Housing Finance Commission, Fannie Mae, and two private lenders (Continental Savings and Norwest Mortgage), have created a revolving loan fund to assist low and middle income homebuyers in covering their downpayments and closing costs. The County's funds will only assist low-income buyers. After its announcement, 1,000 calls were received in the first week.
- ◆ **Housing Opportunity Fund (HOF) Increase:** In 1998, King County allocated an additional \$800,000 of its general funds to the HOF. The HOF funds housing developments which serve low-income and special needs households.
- ◆ **Direct Funding of Affordable housing.** In 1998, King County allocated \$5.7 million dollars of its HOF, federal HOME and CDBG funds to create, preserve, or rehabilitate **536 affordable housing units**. The units included: affordable rental housing for families, preservation of at-risk senior housing, home ownership opportunities for first time home buyers, and special needs housing.
- ◆ **Transit Oriented "Housing" Development:** King County is in the process of creating a number of transit-orientated development pilot projects throughout the county. The idea is to provide the density of housing needed to support transit in close proximity to transit stops and/or park n rides. Some affordable housing is required in these developments. **An estimated 1000 housing units will be created in these transit-oriented development.**



## **APPENDIX A**

### **Data Sources Used**

The primary source for this data is a recent Dupre + Scott study, *King County Housing Affordability*, commissioned by King County. Dupre + Scott used its own database for the rental information and Multiple Listing Service data of April 1997 through March 1998 for the ownership information. The MLS data is assumed to accurately represent the current cost of buying a house in King County.

The rental data was gathered by survey and therefore does not represent a 100% count of the housing in King County. For complexes with 20 or more units, the sample is approximately 73% of all such complexes. For buildings with 2 to 20 units, the sample size is approximately 9%. There does not appear to be a significant difference in the rents at larger vs. smaller multi-family complexes. For single family homes the sample size of 2.5% is more limited, but should be reasonably representative at the county-wide level.

This document applies the rental affordability findings from the Dupre and Scott survey to the entire housing stock in King County. Other data sources which were used to complement this study include: 1990 U.S. Census, Public Use Micro-Sample (P.U.M.S. - U.S. Census Bureau) data, H.U.D. data, and other King County sources such as building permit information and King County Assessor's data.

For current counts of renters and owners in King County, 1990 U.S. Census data was updated using information on new housing units permitted from 1990 - 1997, and adjusting for a rising proportion of condo sales.

U.S. Department of Housing and Urban Development provides 1998 tables giving estimated median household income for each household size from single person to five person households. For each household size the income at 30%, 50%, 80% and 120% of median is calculated.

*The Comprehensive Housing Affordability Strategy (CHAS) Databook*, 1990, also published by H.U.D., is the source for the number and percent of renter and owner households by income group, and for the distribution of household types (elderly households, small related households, large related households, other households) among the owner and renter groups. It also gives the percent of renter households (41%) that were paying more than 30% of their income for housing at the time of the 1990 Census

**APPENDIX B**  
**Supply and Demand for Rental Units**  
**Multi-Family Rental Market**

<b>King County - % of Rental Units Affordable to each Income Category</b>					
	<b>&lt;30%</b>	<b>30-49%</b>	<b>50-59%</b>	<b>60-69%</b>	<b>70-79%</b>
Total Units	0.2%	37.2%	32.0%	17.7%	7.5%
<b>Cumulative</b>		<b>37.4%</b>	<b>69.4%</b>	<b>87.1%</b>	<b>94.6%</b>

<b>Supply and Demand for Affordable Rental Units in King County - 1998</b>							
1998 HUD Median Household Income Groups:	Number of Renters in this Income Group 1998	Market-Rate Affordable Rental Units	Deficit or Surplus at this Income Level Only	Cumulative Affordable Market-Rate Rentals	Cumulative Deficit or Surplus of Affordable Rental Excluding Subsidized Housing	Approx. Number of Subsidized Units*	Cumulative Deficit or Surplus after Inclusion of Subsidized Housing
<i>(1998 Median Income = \$53,100 for a Household of 3)</i>							
0% to 30%	51,057	371	-50,686	371	-50,686	24,500	-26,186
31% to 50%	42,273	76465	34,192	76836	-16,494	10,000	18,006
51% to 80%	63,410	135363	71,954	212199	55,460		89,960
81% to 100%	43,646	19474	-24,172	231673	31,288		65,788
101% to 120%	30,195	5565	-24,630	237238	6,658		41,158
120% to 180+%	43,920	2762	-41,158	240000	-34,500		0

Column six of this table shows the supply and demand for affordable housing without considering the effect of approximately 34,500 units of subsidized housing in the County. When subsidized housing is considered, (column seven) the problem is less severe. Still, at least 26,000 households (last column) lack affordable housing.

## APPENDIX C

### County-Wide and Sub-Regional Rental Affordability

